
Croda International Plc

Results for the 6 months to
30 June 2011

CRODA

Financial Review

CRODA

Summary

- Continuing sales up 9.3%
 - Consumer Care sales up 11.0% to £293.6m
 - Industrial Specialities sales up 7.5% to £266.0m

- Pre tax profit from continuing operations up 30.1% to £124.8m
 - Record profits in both Consumer Care and Industrial Specialities
 - Despite adverse currency translation and strong 2010 comparatives

- £25.1m returned to shareholders via buyback programme

- New dividend policy announced
 - Interim dividend increased 153.8% to 24.75p
 - Full year dividend pay-out to be 40% to 50% of post tax earnings

CRODA

Sales trends by quarter

Price/volume/currency

	Q1	Q2	H1
	2011	2011	2011
Price and mix	+16.1%	+13.9%	+14.9%
Volume	-0.5%	-5.4%	-3.0%
Underlying	+15.6%	+8.5%	+11.9%
Currency	-2.4%	-2.8%	-2.6%
Continuing sales	+13.2%	+5.7%	+9.3%

- Prices increased 1 January and 1 April 2011
- Strong 2010 comparatives
 - Industrial Specialities particularly robust in H1 2010
 - Gulf spill clean-up and very strong Crop performance in Q2 2010

CRODA

Sales trends by quarter

Sector split

	Q1	Q2	H1
	2011	2011	2011
Consumer Care	+14.2%	+8.1%	+11.0%
Industrial Specialities	+12.1%	+3.3%	+7.5%
Continuing sales	+13.2%	+5.7%	+9.3%

- Consumer Care
 - Tough Q2 2010 comparatives in Crop Care
- Industrial Specialities
 - 2010 Gulf of Mexico clean-up Q2 Geo Technologies

Continuing turnover by destination



- Europe very strong, particularly Consumer Care
- US sales flat – Gulf clean-up 2010, currency translation and exit from the last major Uniqema distributor
- Emerging markets 31% of sales

CRODA

Continuing Consumer Care

£m	2011	2010	Inc
Turnover	293.6	264.4	+11.0%
Operating Profit	88.0	71.1	+23.8%
ROS	30.0%	26.9%	

- Strong growth on top of record 2010
 - All business areas ahead with Crop showing the strongest growth
 - Sales growth despite adverse currency translation
 - Volumes flat - Strong 2010 comparatives
- Profits and margins well up on 2010 as we continue to launch innovative products in all areas

CRODA

Continuing Industrial Specialities

£m	2011	2010	Inc
Turnover	266.0	247.5	+7.5%
Operating Profit	37.3	29.4	+26.9%
ROS	14.0%	11.9%	

- Sales up 7.5%
 - Lubricant Additives and Coatings and Polymers saw the strongest growth
 - Commodities also strong - reason for adverse mix in IS
 - Geo Technologies (Gulf cleanup) and Home Care sales down
- 27% Operating profit growth - even stronger than Consumer Care
 - Moving products upmarket

CRODA

Continuing operating profit up 25%

£m	2011	2010	Inc
Turnover	559.6	511.9	+9.3%
Operating Profit	125.3	100.5	+24.7%
ROS	22.4%	19.6%	

CRODA

Pre-tax profit up 30%

£m	2011	2010	Inc
Continuing operating profit	125.3	100.5	+24.7%
Interest	(0.5)	(4.6)	
Continuing pre-tax profit	124.8	95.9	+30.1%

CRODA

Earnings per share up 31%

£m	2011	2010	Inc
Continuing Pre-tax profit	124.8	95.9	+30.1%
Tax rate	32.4%	33.2%	
Number of shares (m)	136.3	136.0	
Continuing EPS	61.9p	47.1p	+31.4%

- Buyback late in the half, so had little effect on the average number of shares.
- Reduced tax rate adds to EPS uplift

CRODA

New dividend policy

- Croda is generating a lot of cash
- The Board have decided to revise the dividend policy
- **Aim to pay out 40-50% of sustainable earnings each year in dividends**
 - Will pay out 40% of first half earnings in the interim dividend
 - Will use the final dividend to top up to the 40-50% full year pay-out ratio

- £50m buyback will continue to end of 2011

Interim dividend up 154%

	2011	2010	Inc
Continuing EPS	61.9p	47.1p	+31.4%
Dividend	24.75p	9.75p	+153.8%
Cover	2.5x	4.8x	
Pay out ratio	40%	21%	

- Interim dividend 40% of first half earnings
 - **Results in a 153.8% increase in 2011 interim dividend to 24.75p**

CRODA

Share buyback

Number of shares bought	1.3m
Total consideration	£25.1m
Average price per share	£18.74

- Target buyback: £50m in 2011
- Started Q2, halfway there

Group free cash flow - £64.1m

£m	2011	2010
EBITDA	141.3	116.7
Working capital movement	(51.9)	(32.9)
Cash from operations	89.4	83.8
Capital expenditure	(25.3)	(19.5)
Free cash flow	64.1	64.3

- Very strong EBITDA generation
- Inflation and US distributor termination increases working capital
- Likely to spend approximately £60m capex in 2011

CRODA

Group net cash flow

£m	2011	2010
Free cash flow	64.1	64.3
Excess pension contributions	(8.1)	(8.0)
Share purchases/issue	(22.6)	0.6
Share based payments	5.5	4.5
Dividends paid	(34.5)	(20.5)
Interest	(4.5)	(5.0)
Tax	(29.1)	(24.8)
M&A	3.1	16.6
Other (mainly restructuring)	(4.6)	(12.5)
Net cash flow	(30.7)	15.2
Exchange differences	(2.3)	3.6
Change in net debt	(33.0)	18.8

CRODA

Net Debt

£m	2011	2010	Covenant
Net debt	253.3	269.7	
Committed facilities	477.0	496.5	
Committed headroom	223.7	226.8	
Rolling Net debt/EBITDA*	0.9x	1.3x	<3.0x
Rolling EBITDA interest cover*	34.4x	17.1x	>4.0x

* As per loan covenant calculations

CRODA

Net Debt : currencies and hedging

- Net debt £253.3m of which:
 - Currency borrowings
 - US\$124m (Dec 2010: US\$108m)
 - Includes \$100m 10 year bond fixed at 5.94%
 - €113m (Dec 2010: €120m)

Pension Fund: IAS19

£m	2011 June 30	2010 December 31
Market value of assets	662.6	641.9
Value of liabilities	(798.7)	(789.7)
Gross deficit	(136.1)	(147.8)
Tax credit	39.0	42.9
Deficit after tax	(97.1)	(104.9)
Gross funding level	83.0%	81.3%

CRODA

Croda
Unique in
Speciality Chemicals

CRODA

A Truly Unique Speciality Chemical Company

Croda is a truly unique speciality chemical company with:

- A long term strategy
- A focus on organic growth
- A focus on margins
- A focus on cash generation
- A focus on shareholder returns

CRODA

Strategic Focus

- Long term
- Focus on growth markets
- Relentless innovation
- High barriers to entry
- Passionate customer service

Consistent Organic Growth

- Underlying revenue at between 5 – 10% p.a. for more than 10 years
- Profit growing faster
- Identifying niche markets
- Applying novel technologies

Continuous Margin Improvement

- Through constant innovation
- Through a laser like focus on future customer needs
- Through passing on cost increases, fully and swiftly
- Through direct global customer contact
- Through continuing control of costs

Strong Cash Generation

- Continuous increase in EBITDA
- “Bottom slicing” means only moderate capital demands
- Super efficient IT and Administration functions

Key Strengths

- Renewable raw materials
- Emerging markets with stellar growth
- “Specialisation” of the industrial portfolio
- Global marketing/technical network
- Strong cash flow

Our People

- A team of world class people at all levels all over the world
- A young, dynamic and passionate team with shared vision and values
- Highly experienced senior management team with deep understanding of Croda's strategy and culture
- Genuine focus on our impact on society and the environment

Innovation

- The key to constant organic growth
- Apparent in all that we do, not just in science
- Enterprise Technology investing more and more in nascent companies/technologies

New Product - Natragem

Green Trend

Natural and Organic is the fastest growing market within Personal Care and represents over 2% of the Global market.

Natragem™ Range provides effective solutions to emulsification and solubilisation and is ideal for formulations with a green positioning.

Green Benefits

- Approved natural by Ecocert
- Cold processable
- Ultimately biodegradable
- Low aquatic toxicity
- Free from petrochemicals

CRODA

New Product - Terraquat BD

- Terraquat BD is a patented, ultimately biodegradable, “green”, hair conditioning agent for use in shampoos and conditioners
 - Environmentally friendly
 - Not harmful to aquatic environments
 - Provides exceptional hair feel
 - Contributes outstanding detangling and conditioning to the hair

CRODA

New Product - Resistem™

Plant stem cell-based anti-ageing bodyguard Resistem™ helps the skin to build its own anti-ageing defence system

- Stem cell culture of extract of Globularia Cordiofolia
- Helps reduce the level of pro-ageing agents and local micro-inflammation
- Enhances natural skin glow

New Product - Atplus 401 NPF

- Atplus 401 NPF is a nonylphenol replacement that addresses the need in agricultural products for nonylphenol-free adjuvants
 - Compatible in high salt concentration surfactants
 - Designed for concentrated fertilizer solutions
 - Wetting agent in concentrated ammonium sulfate solutions intended for dilution in herbicide spray mixtures containing glyphosate

New Product - Zephyrym PD 4974

- Zephyrym PD 4974 stabilises difficult to disperse iron oxide pigments in colourants and coatings
 - Dramatically improves stability
 - Enhances colour development
 - Reduces need for thickeners

New Product - Hypermer 2800

Allows an extra level of performance for inverse emulsion polymerisation that is difficult to accomplish with conventional emulsifiers

- Flocculation for water treatment and mineral processing
- Additive for paper processing
- Higher molecular weight polymeric emulsifier
- Can be used at reduced levels
- Allows emulsions at 45-50% solids (before distillation)

CRODA

A Strong Track Record

- Business has been reshaped to become a world leading Speciality Chemicals Company
 - Since 1999 we have disposed of 25 businesses and 38 sites
 - Total proceeds of nearly £300m
- Highly successful acquisition of Uniqema in 2006
- Consistent track record of year-on-year profit growth
 - 2001 FY PBT was £31.7m > 2011 H1 PBT was £124.8m
- Continuous growth in dividend since 1998
 - In 2001, H1 dividend was 3.85p > 2011 H1 dividend is 24.75p
- **A robust strategy is in place to continue strong organic growth**

CRODA

Outlook

- Strong demand in Consumer Care
- Reshaping the Industrial Specialities business continues to improve margins
- Raw materials increases slowing
- Innovation accelerating
- New plants coming on stream
- Steve Foots and his team will continue the growth strategy
- I wish I were 10 years younger!

CRODA

Appendix 1: 2010 by quarter

£m	Q1	Q2	Q3	Q4	2010
Consumer Care	128.1	136.3	128.2	123.8	516.4
Industrial Specialities	117.4	130.1	124.4	113.6	485.5
Continuing turnover	245.5	266.4	252.6	237.4	1,001.9
Consumer Care	34.7	36.4	32.5	32.9	136.5
Industrial Specialities	11.3	18.1	16.2	16.5	62.1
Continuing operating profit	46.0	54.5	48.7	49.4	198.6
Interest	(2.7)	(1.9)	(1.2)	(0.5)	(6.3)
Continuing pre-tax profit	43.3	52.6	47.5	48.9	192.3

CRODA

Appendix 2: 2011 by quarter

£m	Q1	Q2	Half
Consumer Care	146.3	147.3	293.6
Industrial Specialities	131.6	134.4	266.0
Continuing turnover	277.9	281.7	559.6
Consumer Care	42.4	45.6	88.0
Industrial Specialities	18.5	18.8	37.3
Continuing operating profit	60.9	64.4	125.3
Interest	(0.2)	(0.3)	(0.5)
Continuing pre-tax profit	60.7	64.1	124.8